

BUCHANAN DISTRICT LIBRARY

FINANCIAL REPORT

June 30, 2008

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Management's Discussion and Analysis

Basic Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. In the Basic Financial Statements information is included that presents two different views of the Buchanan District Library:

- The first column of the financial statement includes information on Buchanan District Library's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of Buchanan District Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method. (See Note 2)
- The Statement of Governmental Revenue, Expenditures and Changes in Fund Balance and Statement of activities columns provide both long-term and short-term information about Buchanan District Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of Buchanan District Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The Basic Financial Statements also include Notes that explain some of the information in the financial statements and provide more detailed data.

The Required Supplementary Information section follows the Basic Financial Statements and further explains and supports the information in the financial statements.

Condensed Financial Information

The following financial information contains comparative information from the previous fiscal year in compliance with GASB 34.

	<u>2006/2007</u>	<u>2007/2008</u>
Current assets	\$ 189,875	\$ 222,687
Capital assets	<u>887,080</u>	<u>872,113</u>
Total assets	<u>\$1,076,955</u>	<u>\$1,094,800</u>
Long-term debt	\$ 404,253	\$ 344,117
Other liabilities	<u>77,801</u>	<u>79,928</u>
Total liabilities	<u>\$ 482,054</u>	<u>\$ 424,045</u>
Net assets:		
Invested in capital assets, net of debt	\$ 420,813	\$ 465,174
Unrestricted	<u>174,088</u>	<u>205,581</u>
Total net assets	<u>\$ 594,901</u>	<u>\$ 607,755</u>
Revenue:		
Property taxes	\$ 284,947	\$ 297,332
Other	<u>154,654</u>	<u>154,330</u>
Total revenue	<u>\$ 439,601</u>	<u>\$ 451,662</u>
Expenses:		
Library services	\$ 363,020	\$ 375,808
Loss on disposal of asset	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 363,020</u>	<u>\$ 375,808</u>
Change in net assets	<u>\$ 76,581</u>	<u>\$ 75,854</u>

Buchanan District Library as a Whole

- Buchanan District Library's net assets increased by \$75,854 this year. Revenue increased by 2.75% this year and expenses increased 3.5% making the net change in assets slightly under 1% smaller than the previous year.
- Buchanan District Library's primary source of revenue is from property taxes, which represent 66% of total revenue. The second most important source of revenue comes from Library Fines (including penal fines) which comprise 23% of total revenue. Penal fines are unpredictable and vary depending on police activity and court costs. This year penal fines were down just under 6%. Interest income is also down 5.6%.
- Personnel expenses are a significant cost to Buchanan District Library, representing 51% of total expenditures. This is a small (2%) decrease from the previous year, in large part due to the absence of a Director for approximately 6 months.
- Depreciation expense represents 22% of Buchanan District Library's total expenditures due to compliance with the GASB34 standards.
- Debt service interest is 5.4% of total expenditure. Please see the schedule of future principal and interest payments in Note 6.

Buchanan District Library's Fund

An analysis of Buchanan District Library's major fund is included in the Financial Statements in the first column of the respective statements. The fund column provides detailed information about the most significant fund - not the library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund is \$213,184 which is an increase \$31,291. Personnel expenses are the largest use of resources for this fiscal year. This reflects the fact that Buchanan District Library is a service industry that relies on its staff to fulfill the mission of the organization.

Library Budgetary Highlights

The past fiscal year was significantly impacted by the passing of Judy Smith the library director; the search for her replacement ending in February with the hire of a new director, Kate Thomas. During the interim Pamela Salo was acting director and under her leadership the library saw many improvements and technology upgrades. New shelving was purchased and installed in May. Two new computer tables were purchased thanks to a generous patron donation. While materials purchases continued at the usual pace, because inter-library loan delivery was suspended, a special effort to accommodate patron requests resulted in significant additions to collection expenditures. A Michigan Community Gateway Foundation grant funded an expanded summer reading program that included activities and prizes for adults and teens in addition to children. A \$4000 payment was made to MERS to secure the library be fully vested in the fund. MERS changed the requirement to be vested from 50%-60% and this payment reflected the 60% contribution. In terms of technology enhancement 8 new monitors for the public access computers and 29 video games for circulation were purchased from the technology budget. Grant monies were awarded which allowed us to purchase 4 new computers, a Wii gaming system, a large screen monitor, games and other necessary accessories as well as the professional construction of a new library website which will allow online access for patrons to their accounts. The 4 new computers also allowed for the repurposing of 2 of the older units to be used for educational games by young children which ultimately increased the number of total public access computers to 14.

Personnel expenses were reduced significantly by the loss of a director for the better part of the year. Though there was one new hire and a current staff member increased their hours the salary costs were impacted very little. The increase in staff hours allowed for additional programs and events particularly for teen patrons. This programming also impacted the public relations line item with the purchase of additional supplies.

Over the course of the year the Library Board amended the budget in June to which addressed unanticipated events. The major amendments occurred in income due to grants awarded, fluctuations in state aid, donation income and a drop in interest income related to the general downturn in the economy.

State funding is difficult to anticipate as budget concerns at the state level have increased. It is difficult to predict annual amount which will be dedicated the Department of History, Arts and Libraries and more difficult still to predict what portion will come to individual libraries from that budget. With the Southwest

Library Budgetary Highlights - Continued

Michigan Library Cooperative temporarily hibernating the funds normally dedicated to its function came directly to the library increasing our revenue slightly.

The media budget was expanded by \$3,000 to accommodate patron requests. However, because of the generosity of library patrons, many books, videos and CDs were donated to the library that was added to the collection. Just over \$6,000 was added to the donation income due to these donations.

Interest income has dropped off in response to the general economic downturn, though not precipitously. The Board Finance Committee recognizes the need to investigate where money was being invested to obtain the best interest income possible. If greater returns can be yielded with other institutions for the coming the Board will make the necessary alterations.

Buchanan District Library experienced a slight increase in our already significant patronage. The circulation and computer usage of patrons did increase significantly. Due to Front Desk Staff changes implemented that streamlined procedures and increased productivity these increases were achieved with a decrease in part time staff hours.

Capital Assets and Debt Administration

At the end of the fiscal year, Buchanan District Library had \$1,213,828 invested in land, building, furniture and equipment, and books and materials (\$872,113 after depreciation).

Buchanan District Library's debt rating is excellent. Bonded indebtedness for Buchanan District Library totaled \$330,000 at June 30, 2008. Installment loan payments were paid as budgeted. The remaining debt of \$74,254 will be paid over the three years remaining. Total debt, including compensated absences, amounts to \$412,857.

Future Operating Plans

Expanding programming to area youth and adults is the highest priority for the library in the coming year. In addition a large weeding project is being undertaken. Once completed collection development plans will be fine tuned in an effort to design a collection that meets the needs of the community as completely as possible. Updates in policies, procedures and a long-term strategic plan will be undertaken. As always it is important to proactively determine what a patron desires for library services as we embark on these activities.

Reduction of debt continues to be a goal on the Buchanan District Library Board. The Board continues to pursue efforts to utilize the second floor of the building especially if this would increase income and/ or reduce expenses.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 31, 2008

To the Buchanan District Library
Buchanan, Michigan

We have audited the accompanying basic financial statements of the Buchanan District Library as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Buchanan District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Buchanan District Library as of June 30, 2008, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the Required Supplemental Information presented on page 11 are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Gerbel & Company, P.C.

Right. On time.

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BUCHANAN DISTRICT LIBRARY
Governmental Fund Balance Sheet
and Statement of Net Assets
June 30, 2008

	<u>General Fund Modified Accrual Basis</u>	<u>Adjustments Note 2</u>	<u>Statement of Net Assets, Full Accrual Basis</u>
Assets			
Current Assets:			
Cash and cash equivalents - NOTE 4	\$ 218,222	\$ -	\$ 218,222
Accounts receivable	<u>3,465</u>	<u>1,000</u>	<u>4,465</u>
Total Current Assets	\$ 221,687	\$ 1,000	\$ 222,687
Capital assets - NOTE 5	<u>-</u>	<u>872,113</u>	<u>872,113</u>
TOTAL ASSETS	<u>\$ 221,687</u>	<u>\$ 873,113</u>	<u>\$ 1,094,800</u>
Liabilities			
Current Liabilities:			
Notes and bonds payable, due within one year	\$ -	\$ 60,137	\$ 60,137
Accounts payable and accrued liabilities	8,503	-	8,503
Accrued interest payable	<u>-</u>	<u>2,685</u>	<u>2,685</u>
Total Current Liabilities	\$ <u>8,503</u>	\$ <u>62,822</u>	\$ <u>71,325</u>
Long-term liabilities - NOTE 6:			
Notes and bonds payable, due after one year	\$ -	\$ 344,117	\$ 344,117
Compensated absences	<u>-</u>	<u>8,603</u>	<u>8,603</u>
Total Long-Term Liabilities	\$ <u>-</u>	\$ <u>352,720</u>	\$ <u>352,720</u>
Total Liabilities	\$ 8,503	\$ 415,542	\$ 424,045
Fund Balances/Net Assets			
Fund balance:			
Unreserved, undesignated	<u>213,184</u>	<u>(213,184)</u>	<u>-</u>
Total Liabilities and Fund Balance	\$ <u>221,687</u>	\$ <u>202,358</u>	\$ <u>424,045</u>
Net assets:			
Invested in capital assets - net of related debt		\$ 465,174	\$ 465,174
Unrestricted		<u>205,581</u>	<u>205,581</u>
Total Net Assets		\$ <u>670,755</u>	\$ <u>670,755</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 873,113</u>	<u>\$ 1,094,800</u>

BUCHANAN DISTRICT LIBRARY
Statement of Governmental Revenue, Expenditures,
and Changes in Fund Balance
Statement of Activities
Year Ended June 30, 2008

	General Fund Modified Accrual Basis	Adjustments Note 2	Statement of Activities, Full Accrual Basis
Revenue			
Property taxes	\$ 297,332	\$ -	\$ 297,332
Local grants	11,640	-	11,640
Interest income	6,739	-	6,739
State aid	10,248	-	10,248
Penal and library fines	94,853	-	94,853
Contributions from other governmental units	1,000	-	1,000
Donations	21,692	-	21,692
Other revenue	<u>8,158</u>	<u>-</u>	<u>8,158</u>
 Total Revenue	 <u>\$ 451,662</u>	 <u>\$ -</u>	 <u>\$ 451,662</u>
 Expenditures			
Personnel	\$ 195,124	\$ (203)	\$ 194,921
Audiovisual, books, and periodicals	49,849	(49,849)	-
Supplies	7,207	-	7,207
Maintenance and repairs	21,590	-	21,590
Utilities	24,137	-	24,137
Insurance	2,911	-	2,911
Professional fees	7,569	-	7,569
Community promotions	5,676	-	5,676
Depreciation	-	83,787	83,787
Debt service principal	59,034	(59,034)	-
Debt service interest	20,686	(292)	20,394
Miscellaneous	<u>11,741</u>	<u>(4,125)</u>	<u>7,616</u>
 Total Expenditures	 <u>\$ 405,524</u>	 <u>\$ (29,716)</u>	 <u>\$ 375,808</u>
 Excess of Revenue Over Expenditures	 <u>\$ 46,138</u>	 <u>\$ 29,716</u>	 <u>\$ 75,854</u>
 Other Financing Sources (Uses):			
Capital expenditures	<u>(14,847)</u>	<u>14,847</u>	<u>-</u>
 Net Change in Fund Balance/Net Assets	 <u>\$ 31,291</u>	 <u>\$ 44,563</u>	 <u>\$ 75,854</u>
 Fund Balance/Net Assets - July 1, 2007	 <u>181,893</u>	 <u>413,008</u>	 <u>594,901</u>
 FUND BALANCE/NET ASSETS - JUNE 30, 2008	 <u><u>\$ 213,184</u></u>	 <u><u>\$ 457,571</u></u>	 <u><u>\$ 670,755</u></u>

The accompanying notes are an integral part of these financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Buchanan District Library (The "Library") is located in the City of Buchanan, Michigan, and is governed by an appointed seven-member board. The Library is primarily funded through a tax levy, fines and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of Buchanan District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund).

C. Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using economic resources measurement focus as the basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

D. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payments are due.

The Library reports only one major governmental fund - the General Fund.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- Continued

E. Financial Statements Amounts

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated life of more than one year, and all books are capitalized. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expenses as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - reference	10 years
Library books - hard cover	5 years
Library books - soft cover	3 years

Long-term Obligations - In the government-wide financial statements, long-term debt is reported as long-term liability. In the fund financial statements, the repayment of debt principal is reported as an expenditure.

Property Tax Revenue - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2007 ad valorem tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Library totaled \$255.6 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA), on which ad valorem taxes consisted of 1.1588 mills for operations and debt service. This resulted in revenue of \$297,332, recognized in the General Fund financial statements as tax revenue.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 2 - RECONCILIATION

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balances. The following is a reconciliation of fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 213,184
---------------------------------------------	------------

Amounts reported in the statement of net assets
are different because:

Accounts receivable collected after the 60 day financial resources period	1,000
---------------------------------------------------------------------------	-------

Capital assets are not financial resources and are not reported in the funds	872,113
------------------------------------------------------------------------------	---------

Compensated absences are included as a liability	(8,603)
--------------------------------------------------	---------

Interest payable is included as a liability	(2,685)
---------------------------------------------	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(404,254)</u>
-------------------------------------------------------------------------------------------------------	------------------

Total Net Assets - Full Accrual Basis	<u>\$ 670,755</u>
---------------------------------------	-------------------

Net Change in Fund Balances - Modified Accrual Basis	\$ 31,291
------------------------------------------------------	-----------

Amounts reported in the statements of activities are different because:

General Fund reports capital outlay as expenditures in the statement of activities; these costs are allocated over their useful lives as depreciation:

Library books, material, and equipment	68,821
Depreciation	(83,787)

Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements	203
----------------------------------------------------------------------------------------------------------------------------------------------------------------	-----

Decrease in interest expense due to interest payable	292
------------------------------------------------------	-----

Principal payments on long-term liabilities is an expenditure on the fund statements	<u>59,034</u>
--------------------------------------------------------------------------------------	---------------

Change in Net Assets - Full Accrual Basis	<u>\$ 75,854</u>
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BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 3 - BUDGET INFORMATION

The annual budget is prepared by the Library Treasurer and adopted by the Library Board; subsequent amendments are approved by the Library Board. Unexpected appropriations lapse at year-end; encumbrance are not included as expenditures.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget had been adopted on a line item basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. The budget as adopted is presented in the required supplemental information, and includes expenditure budget overruns.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Actual Over Budget
Personnel	\$ 188,764	\$ 195,124	\$ 6,360
Audiovisual, books and periodicals	48,000	49,849	1,849
Public utilities	23,500	24,137	637
Community promotion	5,580	5,676	96
Repairs and maintenance	19,250	21,590	2,340
Capital expenditures	-	14,847	14,847

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits - State statute allows for the deposit of funds into financial institutions provided those institutions are a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in the State of Michigan under the laws of Michigan or the United States. The Library's funds were deposited in two financial institutions that meet these requirements. At year-end, the carrying amount of the Library's deposits was \$218,222 and the respective bank balances totaled \$225,201. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$25,320; \$100,000 was covered by the National Credit Union Administration and \$99,881 was covered by Excess Share Insurance (ESI).

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the Library's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2008</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Building	\$ 831,961	\$ 7,861	\$ -	\$ 839,822
Furniture and equipment	76,261	11,110	-	87,371
Library books, periodicals, and videos	<u>273,024</u>	<u>49,850</u>	<u>46,238</u>	<u>276,635</u>
Total Capital Assets Being Depreciated	\$ 1,181,246	\$ 68,821	\$ 46,238	\$ 1,203,828
Total Capital Assets	\$ 1,191,246	\$ 68,821	\$ 46,238	\$ 1,213,828
Less: accumulated depreciation	<u>304,166</u>	<u>83,787</u>	<u>46,238</u>	<u>341,715</u>
NET CAPITAL ASSETS	<u>\$ 887,080</u>	<u>\$ (14,966)</u>	<u>\$ -</u>	<u>\$ 872,113</u>

NOTE 6 - LONG-TERM LIABILITIES

Outstanding Debt

A summary of the debt outstanding of the Library at June 30, 2008, is as follows:

	<u>General Obligation Bonds</u>	<u>Installment Loan</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - July 1, 2007	\$ 365,000	\$ 98,288	\$ 8,806	\$ 472,094
Reductions	<u>35,000</u>	<u>24,034</u>	<u>203</u>	<u>59,237</u>
Balance - June 30, 2008	\$ 330,000	\$ 74,254	\$ 8,603	\$ 412,857
Less current portion	<u>35,000</u>	<u>25,137</u>	<u>-</u>	<u>60,137</u>
Total due after one year	<u>\$ 295,000</u>	<u>\$ 49,117</u>	<u>\$ 8,603</u>	<u>\$ 352,720</u>

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 6 - LONG-TERM LIABILITIES - Continued

Bonds payable at June 30, 2008 consist of the following:

2001 Debt Issue due in annual installments of \$35,000 to \$45,000 through May 1, 2016; interest varies from 3.9% to 4.9%. \$ 330,000

Loans payable at June 30, 2008 consist of the following:

Chemical Bank loan due in monthly installments of \$2,330 through April 2011; interest on the loan is at 4.49%. \$ 74,254

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2008, (excluding employee benefits), including principal and interest, are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2009	\$ 60,137	\$ 17,891	\$ 78,028	
2010	66,289	15,269	81,558	
2011	62,828	19,552	82,380	
2012	40,000	10,120	50,120	
2013	40,000	8,320	48,320	
2014-2016	<u>135,000</u>	<u>13,050</u>	<u>148,050</u>	
Total	<u>\$ 404,254</u>	<u>\$ 84,202</u>	<u>\$ 488,456</u>	

Interest

Interest expense of the Library for the year ended June 30, 2008, approximated \$20,394.

NOTE 7 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for medical benefit claims and property liability. The Library participates in the Michigan Municipal League risk pool for claims relating to worker's compensation and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past fiscal year.

The Michigan League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

BUCHANAN DISTRICT LIBRARY
Notes to Financial Statements
June 30, 2008

NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN

The Library contributes to the Municipal Employees' Retirement System (MERS), a cost-sharing multiple employer defined benefit position plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The system issues a publicly available financial report. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by a resolution of the Board of Trustees and requires a contribution from the employees of 5 percent of gross wages. The Library's actuarial required contribution is 7.08 percent of gross wages.

The required valuation information has been omitted from these basic financial statements due to the fact that final information is not available. The Library's participation in this plan is new and final information is expected in the upcoming months.

BUCHANAN DISTRICT LIBRARY
Required Supplemental Information
General Fund - Budgetary Comparison Schedule
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Amended Budget</u>
Revenue				
Property taxes	\$ 296,251	\$ 296,251	\$ 297,332	\$ 1,081
Penal and library fines	95,554	95,516	94,853	(663)
State aid	4,000	7,034	10,248	3,214
Local grants	5,000	11,640	11,640	-
Interest income	6,550	5,500	6,739	1,239
Donations	15,100	21,704	21,692	(12)
Other revenue	6,415	7,415	8,158	743
Contributions from other governmental units	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total Revenues	<u>\$ 429,870</u>	<u>\$ 446,060</u>	<u>\$ 451,662</u>	<u>\$ 5,602</u>
Expenditures				
Personnel	\$ 199,889	\$ 188,764	\$ 195,124	\$ (6,360)
Audiovisual, books, and periodicals	45,000	48,000	49,849	(1,849)
Supplies	7,900	7,375	7,207	168
Maintenance and repairs	19,250	19,250	21,590	(2,340)
Utilities	24,000	23,500	24,137	(637)
Insurance	4,250	2,911	2,911	-
Professional fees	6,800	10,502	7,569	2,933
Community promotions	4,000	5,580	5,676	(96)
Debt payments	81,086	79,733	79,720	13
Miscellaneous	<u>6,785</u>	<u>11,998</u>	<u>11,741</u>	<u>257</u>
Total Expenditures	<u>\$ 398,960</u>	<u>\$ 397,613</u>	<u>\$ 405,524</u>	<u>\$ (7,911)</u>
Excess of Revenue Over Expenditures	\$ 30,910	\$ 48,447	\$ 46,138	\$ (2,309)
Other Financing Sources (Uses):				
Capital expenditures	<u>-</u>	<u>-</u>	<u>(14,847)</u>	<u>(14,847)</u>
Net Change in Fund Balance	\$ 30,910	\$ 48,447	\$ 31,291	\$ (17,156)
Fund Balance, July 1, 2007	<u>181,893</u>	<u>181,893</u>	<u>181,893</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2008	<u>\$ 212,803</u>	<u>\$ 230,340</u>	<u>\$ 213,184</u>	<u>\$ (17,156)</u>

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

July 31, 2008

To the Library Board
Buchanan District Library
Buchanan, Michigan

In connection with our audit of the books and records of Buchanan District Library for the year ended June 30, 2008, we offer the following comments and recommendations:

1. The budget passed for the year under audit did not include proposed capital outlay expenditures. Although other expenditure categories exceed their budgeted amounts, the capital outlay overage was significant. (Repeat Comment from June 30, 2007)
2. The minutes of the Library Board Meetings must be signed by the Secretary upon approval at the subsequent meeting in order for them to be official. During our audit we noted that the January 15, 2008 and January 22, 2008 minutes were not signed.
3. During our audit we noted that the procedures manual referred to as job classifications does not exist within the Library. The manual should be reviewed and corrected.
4. During our audit we noted that the blank check stock was not kept in a secure location, thus allowing for potential theft of blank checks. Prior to the completion of our audit, a safe was purchased and all bank check stock is now kept secure.

We appreciate the courtesy and cooperation extended to us by the officials and employees of the Buchanan District Library and trust that these suggestions will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance in implementing these suggestions or if you have any questions regarding these or any other matters, please feel free to contact us.

Very truly yours,



GERBEL & COMPANY, P.C.
Certified Public Accountants

Right. On time.

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